

COVID-19 CHILD CARE SUSTAINABILITY PLAN

June 8, 2020

The Iowa Department of Human Services (DHS) recognizes the critical role child care plays in supporting the state's essential workforce and economy as schools remain closed. Child care providers have demanding jobs supporting families and children in the best of times, and even more so during the global COVID-19 pandemic. To support these providers and Iowa families, we have worked closely with our partners to develop this plan, looking across all potential funding sources, and will continue to do so and adjust as needed. This plan prioritizes funding to help licensed centers and registered homes to remain open or, if temporarily closed, reopen to assist Iowa's essential workforce to remain at work.

COVID-19 IMPACT

As of January 1, 2020, there were 154,095 child care slots across the state of Iowa between licensed, registered, and non-registered programs.

- ▶ Non-registered programs are typically in-home providers serving five or less children. However, if these programs wish to be eligible for Child care Assistance (CCA) payments, they must sign an agreement with DHS. Slot counts for this provider type represent those programs with an active agreement.

This number grew to 159,204 by March 1, 2020.

However, as of March 31, 2020, 793 licensed providers and 28 licensed child care development homes had reported temporary closure to DHS as a result of COVID-19, representing a loss of 49,750 slots.

As of April 21, 2020, 829 providers and 171 homes had reported temporary closure .

While this loss of slots has not caused immediate strain on the child care system given that many parents or guardians are able to stay home with their children, downstream impacts are expected.

Because these providers are closed and not receiving revenue through tuition payment at this time, their ability to come back online during or after the COVID-19 pandemic is negatively impacted.

- ▶ To address this hurdle, some providers could raise tuition payments and effectively price families out of affordable child care.

In the future, as the economy begins to recover from the impact of COVID-19, increased costs and reduced availability of affordable child care will likely present a significant barrier to Iowans re-entering the job market.

To avoid a potential cliff in access to child care and support economic recovery and growth, this document provides a financial sustainability approach. Information on actions of other states is covered in Appendix A.

FUNDING

The CARES Act provides an additional \$3.5 billion in discretionary funding for the Child Care and Development Block Grant, also known as the Child care Development Fund (CCDF).

- ▶ On April 14, 2020, Iowa received its supplemental allocation of \$31,899,093.

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This funding is intended to serve two key purposes.

- ▶ Support members of the essential workforce, irrespective of income, through CCA.
- ▶ Assist child care providers to remain open or reopen, whether these providers serve CCA families or not.

Per the CARES Act, the supplemental funds must be obligated by the end of federal fiscal year 2022 and liquidated by the end of federal fiscal year 2023.

CONSIDERATIONS

In developing the sustainability plan, DHS used information from:

- ▶ Licensed and registered child care providers via a formal survey and informal data gathering
 - The survey ran from April 10 to 17 and had 1,983 provider respondents
 - Of those providing input, 76 percent indicated they are still open while 24 percent stated they have temporarily closed
 - The vast majority (87.5 percent) of closed providers said they intend to reopen
 - Of providers stating they have experienced a financial loss, 69 percent estimated this loss to be between \$0 to \$5000
- ▶ Research of other states' activities
- ▶ Recommendations from outside organizations, such as Early Childhood Iowa (ECI) and Child & Family Policy Center (see Appendices B and C)
- ▶ The Iowa Economic Development Authority to avoid duplication of effort with Community Development Block Grant funding and small business loans

DHS also tailored its plan to address the following considerations.

- ▶ Many families have lost their jobs and cannot afford to continue to pay for child care services.
- ▶ Child care businesses are different from K-12 schools in that most child care businesses rely on fees from enrolled families for the majority of their revenue.
- ▶ Child care businesses still have expenses they must pay, such as rent or mortgage, even if some or all enrolled children are not attending.
- ▶ If child care businesses (both those that are open and temporarily closed) do not have sufficient funding during the crisis to stay financially viable, they will permanently close.
- ▶ It takes a significantly longer time to open a new child care business than to reopen a temporarily closed child care business.
- ▶ Sufficient child care slots will need to be available to families once emergency restrictions are loosened and additional parents return to work.

SUSTAINABILITY PLAN

Unless noted otherwise, providers are eligible for a strategy if they meet the following qualifications.

- ▶ Currently open and agree to remain open or temporarily closed but reopen.
- ▶ In the event that the provider does not feel they can remain open safely, they will work with DHS and health officials to try to take needed steps to remain open.
- ▶ Prioritize serving families with essential services workers.
- ▶ Comply with current CDC, IDPH, and DHS guidance.

Strategies and associated details are laid out in Table 1, below.

- ▶ DHS will monitor expenditures under this plan and may shift allocated amounts to best meet identified needs.

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CHILD CARE SUSTAINABILITY STRATEGIES

STRATEGY	PURPOSE	TIMEFRAME	PROJECTED COST
NEW FUNDING STREAMS			
Provide a monthly stipend of \$2,000 to licensed providers and \$500 to registered homes ¹	Addresses decreased revenue and enables providers to remain financially viable	Retrospective monthly payments available for April through July	\$13.7 million
Provide a monthly stipend of \$2,000 to licensed providers and \$500 to registered homes who provide essential employees a 25% discount ²	Supports essential employees with child care cost	Retrospective monthly payments available for April through July	\$6 million
Provide a rejuvenation grant for providers open as of 3/1/2020 but now closed	Offers financial resources to assist child care providers to come back online by addressing: A) loss of revenue while closed (\$1000 for licensed providers and \$450 for registered homes) and B) cleaning and replenishing or replacing equipment, materials, and supplies (\$500 for licensed providers and \$150 for registered homes) ³	One-time payments available April through July with DHS reserving the option to extend the timeframe	\$6 million
ADDITIONAL FINANCIAL SUPPORT AND POLICY CHANGES			
Pay providers for unlimited absences and full-day care for school-age children	Supports providers in keeping stable revenue to remain financially viable and helps families retain their child care slot	Implemented in March and available on a monthly basis through July	\$4 million
Waive CCA family co-pays and provide full tuition amounts to providers serving CCA families	Supports families to spend financial resources on immediate needs while retaining their child's slot and keeps providers whole	Retrospective monthly payments available for April through July	\$2 million
Waive temporary lapse policy to cancel CCA if a family does not meet work requirements for more than 3 months ⁴	Supports families who have experienced job loss	Waiver will align with the policy change on absences and run through July	\$208,740
Provide hand sanitizer and other cleaning supplies directly to providers	Supports providers in meeting the additional cleaning requirements to prevent the spread of COVID-19	Implemented in March and available on an as-needed basis, as supply availability allows	\$30,000
Cover the cost of background checks for employees at temporary emergency sites with submission of an MOA meeting criteria	Supports quick standup of temporary care locations for children of essential workers	As needed	\$2,000

¹ To qualify for these funds, providers cannot receive gap funding such as small business grants, community development grants, school district funding or payments from caretakers to hold slots. However, DHS does not have a data-driven method to estimate how many providers will receive other gap funds. Therefore, DHS has set aside \$13.7 million to spend on this dedicated purpose.

² Provider cannot receive gap funding such as small business grants, community development grants, school district funding or payments from caretakers to hold slots.

³ Providers who must temporarily close upon advice of public health officials due to an outbreak at their facility may also receive part B funds.

⁴ Waiver authority for this policy rests with DHS.

APPENDIX A

OTHER STATE ACTIONS

MINNESOTA

- ▶ The Minnesota Legislature passed House File 4531, which included \$30 million from the state's general fund for emergency child care grants.
- ▶ To be eligible, child care programs must:
 - Prioritize spaces in their program for children of essential workers;
 - Remain open for the period of the grant or until the public health emergency ends, whichever comes first; and
 - Use health and safety practices to prevent the spread of COVID-19 in the child care environment.
- ▶ Eligible programs may receive a standard monthly grant award of \$4,500, with certain exceptions.
 - Programs may receive an additional \$1,000 per month if the program serves children:
 1. During nonstandard hours;
 2. Whose first language is not English; or
 3. Who have special needs.
 - Additionally, eligible programs licensed to serve 15 or more children may receive an additional monthly grant not to exceed \$15,500.
- ▶ Programs receiving grants may charge fees to families attending the program but may not charge to hold slots.
- ▶ The legislation also stipulates programs receiving grants must allow children attending the program prior to the public health emergency to re-enroll after the emergency ends if:
 - Capacity is available; and
 - The families have not violated the terms of the contract with the program, other than terms related to the payment of fees and any required notification for disenrollment.

NORTH DAKOTA

- ▶ The Department of Human Services established child care emergency operating grants.
- ▶ All licensed providers who are open and providing services are eligible to receive the grant.
- ▶ Providers accepting the grant must agree to:
 - Prioritize children of essential workers; and
 - Cap fees they would typically charge families to hold a spot during extended absences to \$50 per month.
- ▶ Payment will be established based on facility type and licensed capacity.

TENNESSEE

- ▶ Department of Human Services established grants to support licensed child care agencies impacted by the COVID-19 emergency. Applications opened Tuesday, March 24.
- ▶ The fund sets aside \$10 million in CCDF dollars to help agencies with eligible expenditures, such as:
 - Lost income resulting from closing.

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- Response and recovery operations cost that occur as a result of the emergency such as cleaning and substitute staffing.
- Equipment, materials, and supplies lost or compromised as a result of the emergency such as area rugs, soft toys like stuffed animals, etc.
- Consultants and coaches needed specifically related to emergency impacts such as helping children, caregivers, or staff through recovery, grief, anxiety, stress, or trauma.

ILLINOIS

- ▶ Governor Pritzker announced stipends to support child care providers licensed to operate during the pandemic on Friday, March 27, 2020.
- ▶ Entities must apply to receive the stipends starting Monday, March 30, 2020.
- ▶ Award amounts
 - Licensed homes will receive \$750.
 - Providers with one to two classrooms will receive \$2,000.
 - Providers with three or more classrooms will receive \$3,000.

NORTH CAROLINA

- ▶ Announced March 25, 2020, the Department of Health and Human Services will provide financial assistance for child care facilities in the form of bonus pay and coverage of parent copays.
- ▶ The financial assistance is planned only for April and May and is subject to availability of funding.
- ▶ Providers will receive \$300 per month for all teaching staff and \$200 per month for all non-teaching staff.
 - These dollars are to flow directly to staff.
- ▶ The department will also cover the cost of all parent copays for April and May and programs must waive all parent copays for these months.

INDIANA

- ▶ The Family and Social Services Administration established the Temporary Assistance Grant to Retain Child care for CCDF-eligible programs with loss of revenue from private- and cash-pay families.
- ▶ Any CCDF-eligible provider may apply.
- ▶ Each grant lasts two weeks and programs must re-apply if they want to extend their grant period.

APPENDIX B

ECI RECOMMENDATIONS



Recommendations for Child Care Response to Covid-19

States and communities across the nation are working to identify creative solutions to support and maintain child care throughout the COVID-19 crisis. Strategies focus both on short-term efforts to provide safe access for essential workers and their children as well as on long-term options to ensure that child care is in place and available as our economy recovers and citizens return to work.

Prior to the COVID-19 public health emergency, Iowa had one of the lowest unemployment rates in the United States and one of the highest percentages of households with children under the age of six with all parents in the household in the labor force. Access to quality, affordable child care is essential to thousands of working parents to enter, re-enter and remain in the workforce. The Federal Emergency Management Agency (FEMA) identifies child care as an essential service in disaster/emergency recovery.

A strong, functioning child care industry is critical as the public health emergency lessens, businesses reopen and parents return to work. As Iowa begins to look toward long-term economic recovery, we must act now to prevent the potential collapse of the child care industry. The financially precarious nature of the child care industry, which includes many small businesses, non-profits, and home-based child care providers, means most cannot survive for long without stable income. Further, although quality child care providers can keep children of health, emergency response, and other essential workers safe and nurtured while their parents work, doing so puts themselves and their families at risk.

Early Childhood Iowa, with input from the Department of Human Services, offers the following financial response summary and recommendations for further consideration and action. These recommendations are put forward with particular consideration for each strategy's ability to quickly and efficiently channel direct support to providers and the relative ease of administration and oversight.

We also recognize efforts to address needs locally. Early Childhood Iowa area boards, Child Care Resource and Referral, Iowa Women's Foundation and many other organizations are supporting child care providers with current needs as identified in their community.

Summary of Iowa's Financial Response

- **Child Care Assistance (CCA) Program.** Effective March 9, 2020, the Iowa Department of Human Services (DHS) is temporarily removing limits on the amount of absent days paid per month to child care providers who remain open for business. The Department is prioritizing and expediting changes in family work status as well as child care provider changes to ensure continuity of services for children and families.
- **Exceptions to Policy.** DHS has granted numerous exceptions to policy to temporarily ease requirements for programs enrolling new children by reducing paperwork, expediting onboarding for new staff, providing tailored flexibility for staff ratio requirements or allowing co-mingling of age groups, and easing requirements around CPR certification due to the unavailability of in-person training.
- **Assistance with critical supplies.** Providers may contact their local CCR&R if they need assistance with hand sanitizer, bleach and thermometers. Supplies for those who are serving essential workforce will be prioritized.

Recommendations for Immediate Action

1. Grants to Child Care Businesses

Action: Provide emergency funds to licensed and registered home- and center-based child care providers that intend to remain open or re-open. We recommend that funds be targeted to providers that are currently operational and those that are re-opened by one month after the end of the public health emergency declaration. We further recommend including the option to provide funding support for ongoing child care sustainability as funds are available. We propose that criteria be established by DHS, utilizing Early Childhood Iowa as an advisory structure, to ensure that funds are quickly and easily distributed to child care providers.

Proposed funding levels:

- \$1,500 for home-based providers
- \$5,000 for center-based providers
- Additional funds if CCA children are enrolled
- We recommend partial payment for March 2020 and monthly payments for April, May and possibly June

Rationale: This strategy will address the immediate cash flow needs of Iowa's licensed and registered child care providers to support current fixed costs and ensure that child care is available when Iowa's families return to work.

State Example:

<http://www.hunt-institute.org/resources/2020/04/covid-19-policy-playbook-state-covid-19-fiscal-supports-for-child-care/>

2. Hazard Bonus Pay for Child Care Staff

Action: Provide hazard bonus pay for child care staff (March through May) that are currently working in open/operational child care settings.

Rationale: This strategy recognizes the additional risk for child care staff that are providing this essential service to Iowa children and families during the public health emergency.

State Example: Wisconsin's Child Care Hazard Pay Program.

APPENDIX C

CHILD & FAMILY POLICY PROVIDER RECOMMENDATIONS



Covid crisis: Iowa must act now to stabilize our child care system

During the best of times, many working families with young children are pushed to the brink to afford quality, reliable child care, and many providers struggle to make ends meet. Working parents and providers are among those most harmed by the immediate Covid-19 crisis, and they will face serious challenges in the economic slowdown that's sure to follow.

In tough times like these, Iowa families and providers are relying on our state leaders to:

- Stabilize our child care system during the current crisis by giving families and providers as much flexibility as possible to weather the storm
- Take steps now to improve the system's underlying financial structure so we have a viable system as we move into recovery

To date, the Iowa Department of Human Services has provided limited financial help, focused on children in the state's Child Care Assistance program. It has wisely done away with limits on the number of days CCA will pay providers for children who are absent. It has also issued health and safety guidance to providers and helped coordinate emergency or pop-up centers to serve school-aged kids.

These are good first steps, but much more is needed from state leaders during this unprecedented crisis.

The federal CARES Act includes \$3.5 billion specifically for new Child Care Development Block Grant funds, of which Iowa is expected to receive \$30.5 million. These new CCDBG funds do not require matching funds from states and are not expected to fall under set-aside or direct service requirements. As such, they can be used in a variety of ways. The state is also slated to receive \$1.25 billion in general fiscal relief, of which some could be used for child care. In addition, the federal government has given states more flexibility in how to use existing federal child care funds during the crisis.

Here is what Iowa should do immediately:

Temporarily suspend redetermination of family eligibility for child care assistance

- Iowa has suspended SNAP eligibility redeterminations but has yet to act similarly for CCA. A suspension will ensure that temporary changes in family work participation, earnings or other Covid-19 factors do not hurt eligibility or cut more revenue from providers. It will also reduce administrative load at the department, giving staff more time to address emergency needs.

Expand CCA benefit eligibility for families

- By increasing the eligibility level for families entering the system—still among the nation's lowest at 145 percent of the federal poverty level, or \$31,494 annually for a family of three—we can widen the pool of children providers can enroll in care, bringing important financial stability

to providers and families alike. The federal Office of Child Care has confirmed that during the crisis states can broaden eligibility, use existing quality dollars to provide additional support for impacted families who currently use subsidies and apply for a waiver to serve families not otherwise eligible.

Establish a state emergency fund to help providers facing financial losses

- States also have new flexibility to help providers cover the costs of safely maintaining operations, hiring substitute caregivers, providing paid leave for staff and other expenses resulting from Covid-19. Iowa should establish an emergency fund for providers to help them cover these kinds of expenses. It should also include a mechanism to compensate providers for private-pay family absences and help for the centers that are currently closed to reopen as Iowans return to work. Support should be in the form of grants, not loans that will force already struggling providers—small businesses and nonprofits—to take on long-term debt.

Subsidize and deliver food and cleaning supplies to providers remaining open

- The state should bolster its health and safety guidance by giving providers operating during the crisis access to necessary nutrition, cleaning and health supplies so they can provide safe and proper care for the children of essential workers.

DHS should take these actions now, and when legislators return to Des Moines, they must act, too. They should move quickly to increase the reimbursement paid to providers participating in CCA. Insufficient child care supply is driven primarily by poor compensation, and the pandemic is exacerbating existing supply problems. The Iowa legislature is currently sitting on bills to increase CCA rates for all providers to the 50th percentile of the 2017 market rate, determined in the state's most recent survey. Given our new environment, we should permanently increase reimbursements to the federally recommended level—75th percentile of current market rate—and include triggers for automatic increases each time a new market rate study is completed. This smart strategy will support long-term recovery of the system.

Even before the pandemic, legislators and the Governor agreed child care was in crisis. We knew the cost of care was out of reach for too many parents—exceeding the cost of tuition at Iowa's state universities—and that providers were woefully underpaid, many qualifying for assistance themselves. The Covid pandemic only makes each of these challenges more acute. Iowans need our lawmakers to act and act quickly.

*To learn more, contact policy director Sheila Hansen at shansen@cfpciowa.org
or visit www.cfpciowa.org.*

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